V.9, #35

SCIENCE

FOREIGN AGRICULTURE

August 30, 1971

EC Tobacco CAP Spurs Italy's Production and Exports

Enlarged Common Market Affects U.S. Farmers

RECEIVED
OCT 25 1971
MIAMI UNIVERSITY
LIBRARY

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE
VOL. IX • No. 35 • Aug. 30, 1971

In this issue:

2 First Year of New Tobacco CAP Spurs Italy To Grow More By Robert W. Johnson

5 Soybeans Spearhead Record U.S. Farm Sales to Japan By Louise Perkins

6 Henequen and Sisal Growers Concerned by Lagging Sales By John C. Hobbes

8 American Agriculture and an Enlarged European Community By Clarence D. Palmby

10 Group Farming: French Give Old Technique a New Try

12 Crops and Markets

16 News Briefs

This week's cover:

Butter pours out of giant butter churn in Danish dairy-products plant. High EC dairy prices are expected to encourage dairy production in Denmark, Great Britain, and Ireland in an enlarged Common Market and displace dairy exports from third countries to the United States. See story beginning on page 8.

Clifford M. Hardin, Secretary of Agriculture

Clarence D. Palmby, Assistant Secretary for International Affairs and Commodity Programs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

Editorial Staff:

Kay Owsley Patterson, Editor
Janet F. Beal, Faith Payne, Associate Editors; Marcellus P. Murphy, Isabel A. Smith, Daniel B. Baker, Lloyd J. Fleck.

Advisory Board:

Kenneth F. McDaniel, Chairman; Horace J. Davis, Anthony R. DeFelice, Robert H. Ingram, Leonard B. Kelly, Kenneth K. Krogh, J. Don Looper, Donald M. Rubel, Larry F. Thomasson, Raymond E. Vickery, Quentin M. West, Joseph W. Willett.

Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

First Year of New T

Spurs Italy To G

By ROBERT W. JOHNSON
Tobacco Division
Foreign Agricultural Service

In mid-1971, the European Community's Common Agricultural Policy for tobacco completed its first year of operation. The effect of this policy on EC tobacco production and trade is a matter of concern to the U.S. industry, for the EC is the largest tobacco market of the United States, taking one-third of total U.S. tobacco exports during the year ending June 30, 1971.

Burley tobacco in Italy, clockwise from above: growing in fields next to apartment buildings; being processed in plant near Naples; and ready in warehouse for domestic marketing or export.

Tobacco CAP Grow More

U.S. producers are especially concerned with what the tobacco CAP has brought about in Italy—the biggest EC tobacco producer, with 57 percent of the total crop in 1970, and also the EC country with the greatest potential for expanding production. Italy grows both flue-cured and burley, the major types exported by the United States; it also imports both types, with the United States as its largest source.

Italian flue-cured has found virtually no acceptance outside of Italy, and the area planted to it had been trending downward. Its burley production and exports, however, had been rising even before the CAP; and West Germany, which takes about a third of Italy's burley crop, is also the major U.S. burley market.

Major provisions of the CAP are guaranteed high prices without automatic production controls; a "buyer's premium" for purchases of EC leaf; and provisions for export subsidies and for import limitations by a safeguard clause (see *Foreign Agriculture,* Nov. 2, 1970).

As a result of the CAP, the U.S. tobacco industry faces not only increased competition within the EC, largely from Italy, but also increased export competition with U.S. tobacco in other countries. So far, it is the first two elements of the CAP that have come into play.

Though the CAP was approved too late to affect plantings for the EC's 1970 crop, indications are that the higher producer prices received in 1970 stimulated EC plantings for the 1971 crop. In particular, the area planted to flue-cured and burley in Italy is up about 10 percent, and area in West Germany and Belgium increased also.

Prior to World War I, Italy produced less tobacco than it imported from the United States. After the war, however, the Italian Tobacco Monopoly adopted the policy of filling as much as possible of the country's tobacco requirement from the domestic crop. Production increased rapidly. By 1933, Italy had become a net tobacco exporter, and it remained one until the blue-mold disaster of 1961. Since then it has again been a net importer in every year except for one.

Now, yet another switch in Italy's tobacco trade status may be in view as a result of the substantial increases the CAP has made in prices to Italian producers. Flue-cured prices were raised from an average of 44 U.S. cents per pound, farm sales weight, for the crops of 1967, 1968, and 1969 to 59 cents per pound for the 1970 crop (a 34-percent increase). Burley prices were raised from 36 cents for the three previous crops to 51 cents for the 1970 crop (a 42-percent increase).

These prices, which are average for the crop, are substantially below the CAP reference ("grade A") prices—also in farm sales weight—which, for flue-cured and burley, are based on top quality. Such price differentials offer increased incentives for Italian growers to produce better tobacco.

At the same time, prices to users of Italian tobacco were reduced, from about 77 cents per pound for the 1969 flue-cured crop to about 59 cents for the 1970 crop (23 percent) and from about 59 cents for the 1969 burley crop to about 45 cents for the 1970 crop (24 percent). These prices are for packed-weight tobacco.

The increase in prices to producers and the reduction in prices to users were both made possible by buyer's premiums of 34 U.S. cents per pound for flue-cured and 30 cents for burley. These premiums were paid to whoever purchased tobacco from producers at more than the intervention price. In Italy, the first buyers consisted of about 400 packers, who passed about half the premium on to the producers in the form of higher prices and about half to the manufacturers in the form of lower prices.

As a result of the higher prices to producers and the lower prices to manufacturers, the 4-year downward trend in area planted to flue-cured was reversed in 1971. Burley was already on the uptrend; in anticipation of the CAP, Italy had been gearing for greater output, and production had been rising about 10 percent per year since 1966. Another production increase of approximately 10 percent is expected in 1971, with an export increase of 40 percent.

The Italian Tobacco Monopoly has traditionally taken all usable tobacco which did not find an export market. Under the CAP, the Monopoly will no longer serve as a tobacco stabilization service. Beginning with the 1971 crop, it may buy any type of tobacco from any source. This is expected to bring about a drastic change in tobacco marketing in Italy.

Italian producers traditionally sold their tobacco to "concessionaires" on contract. The concessionaire furnished the farmer all or part of the fertilizer and other inputs needed and took all his crop. Some concessionaires specialized in exports, but most sold to the

Monopoly all the tobacco they bought and processed. At one time there were 600 of them, but the number had fallen to about 400 by 1970.

Under the new CAP, anyone can buy tobacco from Italian farmers. The former concessionaires are now merely packers or processors. They have the choice of (1) buying at the intervention price and selling to the intervention agency, in which case they will not receive the buyer's premium, or (2) buying at more than the intervention price, receiving the buyer's premium, and finding a market for the tobacco.

Packers paid the standard price for all 1970-crop flue-cured and burley, and they will probably continue to pay at or near the standard price for future crops. Since standard prices are well above intervention prices, they will receive the buyer's premium; but then they must market the tobacco. Many packers not accustomed to marketing will merge with others more experienced or go out of business.

Those who stay in business will buy only the types and qualities of tobacco which they know they can sell to a manufacturer—either the Italian Tobacco Monopoly or a foreign firm. Production of some types not in great demand will decline; that of other types will increase. In the process of transition, a surplus of about 22 million pounds of less desirable types is expected to develop, mostly from the 1971 crop. Efforts to move this surplus will probably be directed toward exports, with a subsidy provided under the CAP.

Flue-cured tobacco is produced in the north, on irrigated land ranging in price from $800 to $1,600 per acre. With an average yield of 1,500 pounds per acre (compared with about 1,800 pounds in the United States), a farmer can gross about $890 per acre; with a good yield of 2,140 pounds, he can gross $1,260 per acre. Rent for irrigated land suitable for tobacco is about $70 per acre.

Competing crops in Umbria, Italy's major flue-cured area, are wheat and corn, with wheat accounting for the largest amount of cultivated land. Average yields on land suitable for tobacco are about 48 bushels per acre, which, at the market price of $2.97 per bushel, yields a gross return of $142 per acre. For corn, the average yield is about 138 bushels per acre, which, at the market price of $2.12, would return about $292 per acre.

Tobacco, wheat, and corn are all grown on level or nearly level land. Tobacco production is mechanized except for harvesting; wheat and corn production are completely mechanized for all operations. For this reason many farmers have preferred to grow wheat and corn, since labor has come to be in short supply in this area, where industrial jobs are available.

With the increase in producer prices, farmers have a renewed interest in this crop. Many big farmers still prefer wheat or corn because of the lower labor cost, but a few are producing tobacco using hired labor at a total cost, including social benefits, of about 72 cents per hour. Even so, the ratio of flue-cured price to labor cost is much more favorable to growers than in the United States.

Burley is produced further south; the best quality and the largest quantity come from the fertile Campania region near Naples, in the vicinity of Mt. Vesuvius. It is farmed so intensively that often a crop is planted between the rows of another crop about to be harvested.

The region benefits from the earliest harvest in the EC, and returns from vegetable growing are high. Tobacco, however, is still the favored crop.

Cropland in this area is all irrigated and all level, the mountains being too steep for farming. The land is worth $1,000 to $4,000 per acre, depending partly upon availability of irrigation water. Farms are small, running 30 acres or less.

Farm wage rates, including social benefits, run about 60 U.S. cents per hour compared with 72 cents in the flue-cured area further north. There is said to be a rapid escalation in wage rates owing to the availability of some industrial jobs in this area, as well as the near certainty of better jobs in northern Italy or Germany. Still, the relationship of wage costs to price received is much more favorable for burley farmers in Italy than for those in the United States.

In addition, Italy's burley yields are much better than U.S. yields—about 3,000 pounds per acre, as against about 2,500 pounds in the United States. There is little doubt that production could easily expand to meet the EC's present burley consumption requirement of perhaps 120 million pounds.

The EC Commisson has proposed a 1.5-cent-per-pound reduction in the buyer's premium for 1971-crop Italian burley. The Commission apparently felt that incentives for producers and users were already sufficient. But more than offsetting this, the Commission has proposed a 6.4-cent-per-pound increase in the buyer's premium for 1971-crop Italian flue-cured. This will tend to stimulate production and consumption of flue-cured.

The Commission has also proposed additional increases of about 2 to 3 percent for 1972–73 in the standard and intervention prices for 9 of the 19 varieties subject to the tobacco CAP. These varieties account for more than half of EC production. Since the CAP includes no effective production control measures, these higher guaranteed prices would further stimulate tobacco production in the Community.

Italy: Prices of 1970-Crop Flue-Cured And Burley Tobacco

[Farm sales weight]

Price category	Flue-cured	Burley
	Cents per pound	*Cents per pound*
Average price paid to producers	59.0	50.8
Buyer's premium	33.7	30.4
Intervention price:		
Grade A (reference)	67.9	58.2
Grade B (65 percent of reference)	44.1	37.8
Grade C (48 percent of reference)	32.6	27.9
Standard price:		
Grade A (reference)	75.4	64.6
Grade B (65 percent of reference)	49.0	42.0
Grade C (48 percent of reference)	36.2	31.0

Soybeans Spearhead Record U.S. Farm Sales to Japan

By LOUISE PERKINS
Foreign Development and Trade Division
Economic Research Service

U.S. agricultural exports to Japan reached a record $1.2 billion in fiscal 1971, a 12-percent gain over the previous year's level. They helped to push U.S. agricultural exports to the unprecedented level of $7.8 billion, accounting for roughly one-sixth of all U.S. agricultural dollar sales last year.

Since the mid-1960's Japan has been the top dollar market for U.S. agricultural exports. Shipments increased in value from $441 million in 1960 to $1,216 billion in 1971, an annual growth rate of 9.7 percent. Principal exports include soybeans, wheat, feedgrains, cotton, tobacco, hides and skins, tallow, and fresh fruits and vegetables. Of these, soybeans, grains, and cotton accounted for over three-fourths of all U.S. sales of agricultural products to Japan in fiscal 1971.

In 1971 extremely high gains were evident in Japan's purchases of U.S. soybeans, wheat, grain sorghum, and cotton, while sales of corn and cattle hides fell substantially below the year-earlier level. The value gain in soybeans, however, more than offset this reduction.

The United States supplied Japan's growing market with soybeans worth a record $303 million in 1971, a 20-percent gain by value over the previous year's level. The rise in shipments to Japan accounted for one-fourth of the increase in total U.S. soybean exports. The advance of livestock and poultry production in Japan is increasing the demand for soybeans for crushing and use in mixed feed.

A considerable part of Japan's import policy in recent years has been focused on the promotion of a "develop and import" system in order to expand and diversify import markets. Such efforts have played a large part in the rapid expansion of Japan's agricultural imports from sources that previously had been less important.

U.S. corn shipments for feed to Japan ranked second only to soybeans in 1971, despite a considerable drop below the previous year's level caused by tight U.S. supplies and increased competition from other suppliers.

Although corn is the principal raw material for mixed feed in Japan (nearly 40 percent), a very low self-supply rate of only 1 percent has resulted in strong dependence on corn imports, especially those from the United States. U.S. corn shipments to Japan have shown on almost steady uptrend, increasing at an annual rate of 7.8 percent since 1965. In 1971, Japan took $201 million worth of corn or one-fourth of all U.S. corn exports.

Japan imported U.S. wheat valued at $171 million—up 26 percent from the $136-million level a year earlier. The advance marked the largest value gain in Japan's wheat purchases since 1963, when wheat sales rose from about $58 million to $124 million.

Japan's share of total U.S. wheat exports has been growing at an annual rate of 9.1 percent, rising from 9.2 percent in 1964–65 to 15.15 percent in 1970–71, when U.S. wheat exports to Japan reached an alltime high of 106 million bushels.

During the sixties, the United States and Canada together have supplied between 80 and 90 percent of Japan's

Right, 5,000-loaf-an-hour bakery in Japan uses U.S. hard wheat. Below, Japanese housewife buys U.S. citrus.

wheat. But recent purchases from other suppliers, principally Australia, have caused a rather steady decline in the Canadian share, which fell to 25 percent in 1969–70 from 39 in 1964–65. The U.S. share, however (varying between 44 and 46 percent), rose from 47 percent to 51 during the same years.

Japan imported a record $132 million worth of U.S. grain sorghum in 1970–71, up 36 percent by value from the previous year. This increase accounted for more than one-half the total gain in U.S. grain sorghum shipments. Japan's share of total U.S. grain sorghum shipments has been growing steadily at an annual rate of 12.4 percent, from 30 percent in 1964–65 to 61 percent in 1970–71. Since the mid-1960's Japan has been the major foreign market for U.S. grain sorghum, taking nearly 80 percent of its grain sorghum requirements from the United States.

U.S. exports of dehydrated and sun-cured alfalfa meal to Japan reached $25.1 million in 1971, up 24 percent from 1970. Since 1966, sales of alfalfa meal to Japan have increased 71 percent; Japan now takes nearly four-fifths of U.S. alfalfa meal exports. The swift expansion in U.S. alfalfa meal sales to Japan is partly a reflection of Japan's recent efforts to expand poultry production. Alfalfa meal is an ingredient in mixed feeds for livestock and poultry.

Japan's imports of U.S. cotton and linters reached $109 million in 1971, up 48 percent or $35 million by value over sales a year earlier. The trend in cotton exports to Japan has been rather unsteady since the mid-1960's, with growth occurring at the very slow rate of 1.1 percent. According to Japan's trade data, consumption of raw cotton has declined since 1969, when efforts to improve the structure of the Japanese spinning industry, the principal consumer of raw cotton, resulted in the scrapping of some 800,000 spindles. In 1971, however, Japan took nearly 23 percent of our cotton exports.

U.S. shipments of lemons and limes to Japan rose to $15 million in 1971, up 23 percent over the $12 million level in the previous year. U.S. exports of fresh lemons and limes to Japan have increased 63 percent by value in the past 3 years.

Like most developed nations, Japan has received a large part of its agricultural imports from other developed countries—nearly 60 percent since 1965, of which over half was from the United States. On the other hand, unlike most developed economies, Japan is still heavily dependent upon the developing regions for raw materials and fuels. In fact, much of the gain in Japan's agricultural imports from Oceania, Western Asia, and Southeast Asia in recent years is closely related to this characteristic of Japan's market structure.

Since 1965, Australia, Canada, Mexico, Thailand, and Mainland China have been the five leading U.S. competitors in the Japanese market. In order to adequately assess the degree of competition from these countries, one must look at their share of Japan's agricultural market relative to the U.S. share.

Australia has ranked first among U.S. competitors in agricultural trade with Japan since 1965. Japan's agricultural imports from Australia, amounting to about one-half its agricultural imports from the United States, have averaged roughly 14 percent of total agricultural imports. Australia's main exports to Japan are wool and animal hair, wheat, and meat.

Canada, supplying some 5 percent of Japan's total agricultural imports since 1965, is the United States' second largest competitor in the Japanese market. Wheat, oilseeds (nuts and kernels), and barley make up nearly 90 percent of Japan's farm imports from Canada.

Mainland China furnishes nearly 5 percent of Japan's agricultural imports. Oilseeds, rice, and silk account for 90 percent of China's agricultural shipments to Japan.

Mexico and Thailand, each accounting for about 4 percent of Japan's agricultural imports, rank fourth and fifth respectively, as leading U.S. competitors in the Japanese market.

Since 1965, cotton has accounted for three-fourths of Mexico's agricultural exports to Japan. Thailand's shipments to Japan are largely corn, rice, and rubber. Japan's purchases from Mexico and Thailand each amounted to only 12 percent of its agricultural purchases from the United States.

While leading U.S. competitors individually hold a relatively small share of Japan's agricultural import market, together these five countries accounted for 30 percent of Japan's agricultural imports since 1965. However, their relative share of Japan's agricultural market has trended down in recent years.

Henequen and S

Concerned by L

By JOHN C. HOBBES
Sugar and Tropical Products Division
Foreign Agricultural Service

Fiber-growing countries are concerned about a continuing decline in the use of natural fiber twine in the United States, their most important market. Annual U.S. baler twine requirements are about 245 million pounds a year, but natural fiber twines face growing competition from synthetic twines.

Baler twine is traditionally manufactured from either of two closely related vegetable fibers—henequen, from Mexico, and sisal, produced mainly in Africa, Brazil, and Haiti. However, twine made of polypropylene appeared on the market in the midsixties. This twine has found acceptance where hay bales are stored outdoors, because it does not rot. Also, it is replacing wire ties to some extent in the production of heavy, extra-dense hay bales for the commercial market.

Twine of natural fibers has a current price advantage over polypropylene for standard needs. But the price of poly-

Drying decorticated sisal, Tanzania.

d Sisal Growers

y Lagging Sales

propylene has declined in recent years, and changes in techniques of producing poly twine or in the design of bailing machines may favor use of poly twine in the future.

Expansion of haying practices not requiring the use of twine, such as cubing or loose storage, could also dampen U.S. demand for natural fiber products.

The possibility of a continued decline in U.S. consumption of natural fiber twine causes considerable apprehension in countries producing sisal and henequen. The U.S. baler twine market is by far the world's single most important outlet for these natural fibers.

The United States, in turn, depends on imports for 90 percent of its requirements of natural fiber twines. Following World War II, a substantial part of U.S. needs was met by twine manufactured domestically from imported fiber. However, foreign spinners took over a progressively larger share of this market, and U.S. spinners lost ground. There is now only one major manufacturer of natural baler twine in the United States, who supplies about 10 percent of the needs in this country.

Because of sisal's importance as a raw material for binder twine, the U.S. Government long ago declared it a strategic and critical material and stockpiled it for conversion into twine in case of an international emergency.

U.S. capacity to process sisal into twine has fallen so low, however, that it now could not fill U.S. needs. As a result, in 1970 the Executive Branch of the Government reduced the stockpile objective to 100 million pounds, roughly half of stockpile inventory. It is now seeking legislative authority to dispose of the surplus.

U.S. imports of sisal and henequen in all forms—raw fiber, baler twine, and other types of cordage—dwindled from over $59 million in 1965 to less than $39 million in 1969. Similar declines occurred in other consuming countries. This poses serious problems to fiber-producing countries, because sisal and henequen are grown in low-rainfall areas hardly capable of producing other crops offering comparable employment opportunities and returns.

Consumption of these fibers can best be sustained by establishing price levels that are profitable to producers, low enough to discourage polypropylene from making inroads into the market, and stable enough to permit orderly operations by manufacturers.

Producing countries tried to attain these objectives by means of an "informal arrangement" governing world trade in raw fibers launched in late 1967 by the FAO Hard Fibers Study Group. Although the resulting prices did not satisfy producers, the marked stability in world prices in late 1968 and throughout 1969 was widely attributed to the arrangement. It collapsed in February 1970 but was again put into operation by the Study Group in May 1971. (See *Foreign Agriculture*, July 26, 1971.)

Export quotas alloted to fiber-producing countries under the arrangement were not always observed, particularly during 1969, and its minimum price provisions were evaded at times. Additional strains on the arrangement stemmed from rapidly expanding twine exports from sisal-producing countries, notably Brazil, Tanzania, Haiti, Kenya, and Mozambique. In 1965 the sisal-growing countries provided less than 4 percent of total U.S. imports of baler twine, but by 1970, they had increased local spinning capacity sufficiently to supply almost 29 percent of U.S. twine imports. The emergence of these countries as important twine exporters is reshaping the world sisal and henequen economy.

Mexico, the sole henequen exporter, supplied 37 percent of U.S. baler twine imports in 1965 but this share trended downward to less than 27 percent in 1970.

America's major source of imported twine is Western Europe, Canada, and South Africa, which import raw sisal and reexport the finished product. Their total share of U.S. imports fell from 61 percent in 1966 to less than 45 percent in 1970.

Packing dried sisal fiber for export from Tanzania.

American Agriculture and An Enlarged European Community

By Clarence D. Palmby
Assistant Secretary of Agriculture

It is understandable that our agriculture should be concerned about any action which would curtail access for exports of American farm products. This is precisely what will flow from enlargement of the European Communities **unless** there is a change in their agricultural policy.

The EC now includes the six original members—France, Germany, Luxembourg, Italy, the Netherlands, and Belgium—and they were dollar markets for $1.6 billion of U.S. agricultural products in calendar 1970.

There are four applicants now actively negotiating for accession: The United Kingdom, Ireland, Denmark, and Norway. These were dollar markets for an additional $549 million.

In the wings, and seeking some form of preferential association, are Austria, Finland, Iceland, Portugal, Sweden, and Switzerland. Spain already has a limited preferential agreement with the EC and talks about broadening it. These added an additional $341 million to U.S. exports.

In total, therefore, we are talking about markets for at least $2.5 billion of U.S. farm products—just about 40 percent of our total sales for dollars in calendar 1970. This is not to suggest that each of these applicants is now an open market for American farm products or that all our trade will be adversely affected. Neither is the case. We have long had problems with all of these countries.

Agricultural trade problems with the United Kingdom, for example, would not disappear were the United Kingdom not to join the EC. Quite the contrary. Since 1964 the United Kingdom on its own has been moving away from its traditional policies. For a variety of reasons it has been shifting toward an EC type of policy and away from the deficiency payment system. With the recent coming to power of the Conservative Government this shift has been accelerated. Thus, we would in any event be facing unfavorable and restrictive changes in U.K. agricultural policy.

Denmark has long had a comprehensive system of agricultural price supports, import controls, and export subsidies. These have been expanded during the past decade—partly, one must add, in response to pressures on Danish exports by the EC. It has been impossible for the United States to sell grains in Denmark, for example, when its crop was large, because of import embargoes. It has been difficult to sell U.S. apples and pears because of similar restrictions. But we have a good market for soybeans and tobacco.

Ireland has a system of producer input subsidies, guaranteed support prices for grains, dairy products, and feeder cattle, and minimum prices for bacon pigs if bacon is exported. There are export subsidies for cattle and guaranteed prices for the exports of bacon. Producer prices have been moderate but are rising in line with those of the United Kingdom. Ireland is a good market for U.S. tobacco, soybean meal, and corn.

Norway has a comprehensive system of guaranteed producer prices and subsidies for virtually all of its production of grains, livestock, or horticulture. Producer prices are not only above those of the United States but are also well above those of the EC. Norway, however, is a good market for soybeans, tobacco, corn, fruits, and nuts.

Impact on U.S. Exports

The greatest impact of EC enlargement will be on our exports of grains. The United Kingdom's grain prices are now 30 to 40 percent below those of the EC. A price rise of that magnitude would encourage larger production of grains, displacing imports from present suppliers and increasing competition for sales to non-EC areas. Studies by Michigan State University, not yet completed and therefore subject to possible adjustment, indicate that at present EC price levels, the United Kingdom would become a net grain exporter in 1980 of almost 1.5 million metric tons compared with a net import position of almost 7 million metric tons in 1968. This means a net change of over 8 million tons.

With the strong pressures for increased production in the EC as well, it seems likely that the enlarged Community will become a net exporter of grain instead of a net importer, a prospect we cannot face with equanimity.

For many years, we have fought against the Empire preference for tobacco in the U.K. market. In spite of this preference, we have an excellent market. But we stand to lose much of it as a result of enlargement. Tobacco from the new partners would enter the United Kingdom duty free, which would favor Greece, Turkey, and the Africans.

Special association arrangements exist with tobacco pro-

Based on a statement before the Subcommittee on Foreign Economic Policy, Foreign Affairs Committee, U.S. House of Representatives, July 22, 1971.

ducers such as Greece, Turkey, Tanzania, and Uganda, and these are to be extended to Malawi and Zambia. These areas are already important suppliers to the EC and the United Kingdom, and they are now planning an expansion in production. The "no additive" requirement of the United Kingdom which has made it necessary to use high-quality U.S. tobaccos is being removed. This will make it possible for U.K. producers to use the lower quality leaf available elsewhere.

At present, our tobacco enters Norway and Denmark duty free. The United Kingdom and Ireland likewise have no protective duty. With enlargement of the adoption of the EC system we can expect a significant long-term decrease in our exports to all the new members.

The EC system for rice includes high producer prices without production controls; very high variable levies; and high export subsidies. The United Kingdom and other applicant countries now admit rice duty free or, if dutiable, at rates of 5 percent or less. With EC enlargement, the cost of imported U.S. rice is expected to rise sharply in the United Kingdom, Ireland, Denmark, and Norway, and there will be greater competition from Italian, French, and Malagasy rice. Most consumers will continue to have a decided preference for long-grain U.S. rice, but the higher cost will decrease per capita consumption and imports.

The United Kingdom is the largest world importer of lard and accounts for about 70 percent of U.S. lard exports. The EC, on the other hand, has high variable-levy protection against imports of lard—47 percent ad valorem equivalent in the first quarter of 1971.

If the present system and level of EC protection is extended to the United Kingdom, and if hog production continues to increase in the expanded EC, it is expected that virtually all imports of lard for food use from the United States and other outside suppliers will be eliminated.

The United States is a large supplier of fruits and nuts to the United Kingdom and other applicant countries—fresh apples and pears, canned fruits, dried fruits and nuts, and fruit juices. A combination of higher internal prices, higher duties, and preferential arrangements is likely to damage this market seriously following enlargement.

Sales of EC apples and pears to the applicant countries would rise significantly. Enlargement would favor citrus producers in Italy, as well as in Spain, Israel, Morocco, and Tunisia (which benefit from EC citrus preferences). In the case of canned fruits, discrimination by the new members of an enlarged EC would be even greater than the existing U.K. Empire preference.

Impact on U.S. Imports

The EC expects to continue special treatment of sugar imports into the United Kingdom from the less developed areas of the British Commonwealth. However, no special provisions are to be made for imports from Australia, the Republic of South Africa, or Rhodesia, which have been important suppliers. Sugar imports into the EC are subject to high variable levies. Without special treatment, these countries will not be able to sell there, and will make greater efforts to sell in non-EC areas, including the United States.

On dairy products, the EC has high guaranteed producer prices without production controls and is a large exporter with the aid of high export subsidies. The United Kingdom, however, is a large market for butter and cheese. During the transition period, the EC will permit the United Kingdom to import decreasing amounts of butter and cheese from New Zealand, and there may be some special arrangement for New Zealand butter after the transition period. Other nonmember suppliers, however, will lose out.

We would expect rising production by the present EC members as well as Ireland, Denmark, and the United Kingdom. As a result, we would expect continuing EC surpluses, and the almost complete elimination of imports in an enlarged EC of dairy products from Australia, Canada, Finland, Poland, and other areas. These countries will make greater efforts to sell butter and cheese in the United States.

World Trade Policies

Looking far ahead recently, in Paris, the Ministers of the Organization for Economic Cooperation and Development "affirmed that their governments will pursue policies aiming at greater liberalization of world trade," and they set up a small, high-level group to see how best this can be done.

Agricultural trade liberalization must be given a high priority. This group cannot be successful unless countries take its work seriously and put the full weight of their governments behind it. For our part, we in agriculture will strongly support its work, and we will do our best to see that it is successful.

For the medium term, there are two specific tasks: (1) To insure that the enlargement arrangements entered into conform to the General Agreement on Tariffs and Trade (GATT), and (2) to move ahead with the work looking to the GATT negotiation necessary to conform the existing EC and applicant-country tariff concessions to the new situations which will exist after enlargement takes place.

Let me be more specific on each—for each is important.

Article I of the GATT prohibits new preferential arrangements. But Article XXIV makes an exception for customs unions as long as the union meets certain criteria. The GATT must judge whether the conditions have been met. It appears that we will know within a few months whether there will be enlargement and on what terms. These terms should be notified to the GATT and we hope the GATT Contracting Parties can begin their examination promptly.

The second task is to move ahead toward the GATT negotiation. I am speaking here of what is known as the Article XXIV: 6 negotiations, which I would expect to take place in 1972, if the United Kingdom does enter the EC. We have specifically preserved for this negotiation certain GATT rights on grain which we hold from the United Kingdom. We expect to combine these with similar rights we have long held from the Community, and to use them in protecting the interests of our trade in grains. Other specific and general GATT rights exist which must be protected and used to enhance our trading position.

In the short run, we must all try more seriously to make specific adjustments in domestic and import policies that are urgently needed in most countries now—such as the need for restraint in wheat marketing. We should not allow the longer term perspective of a broad negotiation or even the medium-term tasks to deflect us from this.

Group Farming: French Give Old Technique a New Try

Above left, weekly planning session is held in local farmhouse and attended by members of the GAEC in Burgundy. Above, Mme. le Grand, secretary of the group, consults fellow member.

French farmers are currently engaged in 2,000 group farming ventures provided for under an agricultural law of 1962. The primary purpose of such communal farms, known in France as GAEC's (Groupement Agricole d'Exploitation en Commun), is to achieve greater efficiency through larger producing units.

These farms are also an ingenious approach to a serious problem now facing French agriculture—the inability to keep young people on farms. (Minister of Agriculture Michel Cointat refers to the problem as "desertification.")

Many GAEC's are run by close relatives or even members of the same family; others are composed of several families but are operated as a single unit.

A GAEC of the latter type has been organized by six people in a village in Burgundy with the primary objective of large-scale pig raising.

Their move followed a year of intensive study, conducted with the assistance of a Government-paid management adviser, which concluded that advantages, such as availability of credit at attractive interest rates and increased size of operations, were sufficient to recommend the creation of a GAEC.

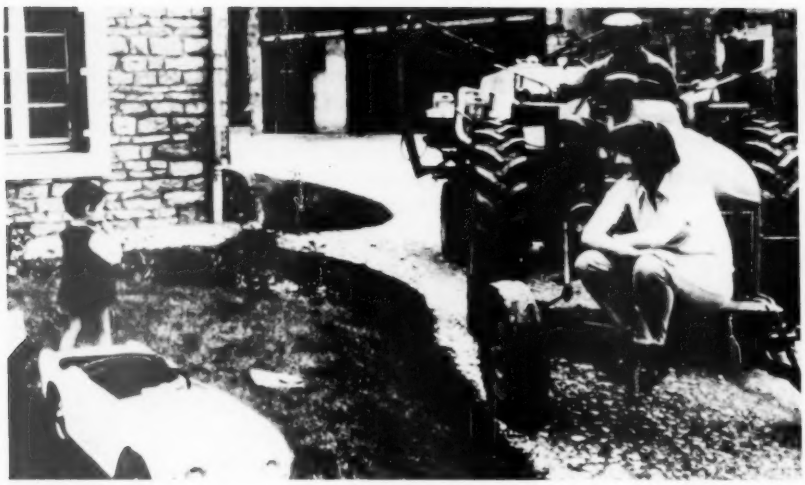
Initial steps were consideration of each member's financial status and the future distribution of income from the GAEC. Should income be distributed on the basis of the number of hours worked? Should women (who participated equally with men in the preliminary study sessions) be paid at the same rate as men, and was physical work to be paid at the same rate as intellectual work? The study group concluded that all work would be paid at the same rate.

When it finally became necessary to decide whether or not to go ahead with the GAEC, both the membership and the GAEC assets underwent some change. A new member joined, an old member was voted out, and the group acquired a neighboring farm of about 250 acres under a Government rural improvement program.

When the GAEC formally began operation in 1967, its assets, besides members, were land holdings of 740 acres (about 300 acres owned jointly by the GAEC and the rest owned separately by members but operated jointly) and houses and barns on the farms brought into the GAEC.

Hog raising began, using the existing farm facilities. Now members are constructing modern pork-production facilities that will consist of three buildings for feeding young pigs, one building for farrowing, and a feed mill. When the new facilities are complete, the GAEC will be able to raise up to 3,000 slaughter-weight hogs a year and feed and care for the pigs with much less manual labor.

The administrative machinery for the GAEC includes a general assembly, held at least once a year for review, analysis of the GAEC's finances, and



Parents and children of a GAEC family relax in farmyard. Old barns in background will eventually be remodeled.

planning. The assembly is held in the home of a member. Short-range plans and operations are dealt with at weekly meetings, held every Saturday or Monday. Also, each week a different member is designated as the GAEC's temporary manager. Finally, members hold brief meetings each morning at the GAEC's office to make last-minute plans and assign tasks for the day.

Each member is responsible for a major sector of production — such as grains, sugarbeets, or pork—and in addition has a secondary responsibility. The member whose primary responsibility is pork production, for example, might also have detailed knowledge of grain production. The purpose of the dual abilities and responsibilities is to insure the availability of a specialist for each type of crop and livestock production at all times.

As additional insurance of a full skills bank among the GAEC members, each person is required to spend at least 15 days a year studying a subject that will benefit the productivity of the whole organization.—Based on a dispatch from

THOMAS E. STREET,
U.S. Agricultural Attaché, Paris

Philippines Imports Rice To Swell Stocks and Deflate Prices

The Philippines, the cradle of high-yield rice in Asia and marginally self-sufficient in rice production since 1968, has already authorized rice imports of 360,000 metric tons in 1971 and could authorize more.

The Philippine Government considers rice imports necessary to counteract spiraling rice prices brought on by inflation linked to devaluation, a 1970-71 rice harvest that was 4 percent less than originally expected owing to typhoon damage, and hoarding by farmers who want more money for their grain than the Government is at present authorized to pay. Retail prices of ordinary varieties of milled rice in Manila are now about 45 percent higher than those just prior to the Philippine devaluation in February 1970. The Government also wishes to rebuild its lowered stocks with imported rice.

The first rice import authorization occurred in April 1971 and was for 110,000 metric tons. A second authorization, for 150,000 tons, was given on July 30, closely followed by a third—for 100,000 tons—less than a week later. The approving body for each separate authorization was the Philippine National Economic Council.

Rice imports planned thus far in 1971-72 by the Philippines are 238,000 metric tons. Thailand will supply 148,000 metric tons, Burma 30,000 tons, Japan 10,000 tons as a donation under the Food Aid Convention of the International Wheat Agreement, and Taiwan 50,000 tons. Delivery to the Philippines of approximately 100,000 tons is expected by the end of September.

In addition, a barter agreement between the Philippines and the People's Republic of China for 10,000 tons is reportedly being negotiated in Hong Kong, and Burma has offered 100,000 tons.

Also, the Philippine Government is discussing with Japan and Thailand the possibilities of long-term concessional credits for rice purchases. If these could be arranged, the Philippines might purchase the full amount of its rice import authorizations.—By ROBERT D. BARRY

Foreign Regional Analysis Division
Economic Research Service

PHILIPPINES: SUPPLIES AND DISAPPEARANCE OF RICE

Year, beginning July 1	Production	Beginning stocks [1]	Imports	Total supply	Exports	Consumption	Ending stocks [1]
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
1968-69.....	2,885	823	0	3,708	27	3,206	475
1969-70.....	3,396	475	0	3,871	0	3,328	543
1970-71.....	3,468	543	32	4,043	0	3,530	513
1971-72 [2]....	3,650	491	0	4,141	0	3,710	431
1971-72 [3]....	3,650	491	238	4,369	0	3,710	659
1971-72 [4]....	3,650	491	360	1,501	0	3,710	791

[1] Stock figures include holdings by Government and private interests. [2] Supply-disappearance balance if no imports occurred. [3] Supply-disappearance balance if imports are 238,000 metric tons. [4] Supply-disappearance balance if imports were fully authorized 360,000 metric tons.

CROPS AND MARKETS

Grains, Feeds, Pulses, and Seeds

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Aug. 25	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*per bu. Dol.*
Wheat:			
Canadian No. 1 CWRS-13.5	1.93	0	2.03
USSR SKS-14	1.88	+3	(1)
Australian FAQ	1.72	0	1.70
U.S. No. 2 Dark Northern Spring:			
14 percent	1.91	+1	1.95
15 percent	1.99	+1	1.99
U.S. No. 2 Hard Winter:			
13.5 percent	1.82	+1	1.92
No. 3 Hard Amber Durum	1.81	−1	1.88
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	1.63	0	1.87
Feedgrains:			
U.S. No. 3 Yellow corn	1.45	0	1.89
Argentine Plate corn	1.64	0	1.94
U.S. No. 2 sorghum	1.45	0	1.66
Argentine-Granifero sorghum	1.48	0	1.69
U.S. No. 3 Feed barley	1.10	0	1.33
Soybeans:			
U.S. No. 2 Yellow	3.57	−1	3.24
EC import levies:			
Wheat [2]	[4] 1.42	[4] 0	1.39
Corn [3]	[4] 0.87	[4] −2	0.53
Sorghum [3]	[4] 0.95	[4] +5	0.65

[1] Not quoted. [2] Durum has a separate levy. [3] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. [4] Forward trading suspended Aug. 16. Levies are for current month only. Note: Basis—30- to 60-day delivery.

Fats, Oils, and Oilseeds

U.S. Oilcakes and Meals, June Exports

Soybean meal exports in June reached 358,700 tons, an increase of 10 percent from June 1970 exports of 324,600 tons. October-June exports rose to 3.31 million tons—up 8 percent, or 258,500 tons, from the 3.06 million tons exported through June last year. Over half of the increase was shipped to the European Community.

Exports to the EC, at 2.18 million tons, exceeded last year's cumulative total by 132,000 tons. Larger quantities were taken by Belgium-Luxembourg, France, and the Netherlands.

U.S. EXPORTS OF CAKES AND MEALS

Item and country of destination	June		October-June	
	1970[1]	1971[1]	1969-70[1]	1970-71[1]
Soybean:	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Belgium-Luxembourg	19.6	10.1	154.1	218.0
France	44.7	66.1	459.6	544.7
Germany, West	62.3	68.6	711.1	691.7
Italy	17.7	29.8	243.5	234.3
Netherlands	68.0	62.1	477.2	488.8
Total EC [2]	212.3	236.8	2,045.5	2,177.5
Canada	22.5	19.2	204.0	181.5
Yugoslavia	23.9	23.7	138.6	165.7
Hungary	16.2	26.7	125.3	104.5
United Kingdom	2.9	7.0	32.3	83.0
Mexico	.5	2.4	1.8	76.4
Denmark	0	9.6	29.0	71.8
Poland	0	14.8	84.6	70.5
Czechoslovakia	12.2	0	17.8	52.5
Switzerland	20.2	3.4	90.7	45.1
Philippines	6.8	3.3	35.3	44.0
Ireland	0	.2	30.8	36.5
Bulgaria	0	0	30.4	32.9
Korea, Republic	1.1	0	7.8	26.1
Australia	1.5	3.0	25.5	25.6
Vietnam, South	0	3.8	.1	19.4
Lebanon	0	0	14.7	14.1
Portugal	1.1	0	8.7	9.2
Others	3.4	4.9	133.6	78.7
Total [3]	324.6	358.7	3,056.5	3,315.0
Cottonseed	(3)	.3	5.4	26.8
Linseed	0	11.1	54.3	65.0
Total cakes & meals [4]	324.6	370.1	3,116.2	3,406.8

[1] Preliminary. [2] Totals computed from unrounded data. [3] Less than 50 short tons. [4] Includes peanut and small quantities of other cakes and meals. Bureau of the Census.

Although exports to West Germany were not as large as last year, the 691,700 tons taken so far this season still represent the largest quantity shipped to any destination.

Notable increases also occurred in exports to Mexico, the United Kingdom, Denmark, Czechoslovakia, and Yugoslavia. Sales to Switzerland declined sharply. There were also appreciable declines in exports to Canada and Hungary.

U.S. Edible Oils, June Exports

U.S. soybean oil exports in June, at 151.3 million pounds, were 28 percent below the unusually high total of 210.3 million pounds exported in June 1970.

October-June exports totaled 1,310.8 million pounds, a gain of 352.8 million, or 37 percent, from the 958 million pounds exported through June 1970. Exports to Yugoslavia reached 255.7 million pounds, accounting for over 70 percent of the increase. Other notable increases were in exports to India, Morocco, Peru, Chile, and Israel. Commercial sales, estimated

at 752.2 million pounds, increased 112 percent from last year's 355.4 million pounds. Public Law 480 shipments, however, declined 7 percent to an estimated 558.6 million pounds from the 602.6 million shipped through June 1970.

Cottonseed oil exports in June totaled 31.7 million pounds, exceeding the quantity exported last June by 19.4 million pounds. October-June exports, at 260.9 million pounds, lagged 36 percent behind the 408.6 million exported in the same months last year. Commercial sales, at 250.9 million pounds, accounted for all but 10 million of the current cumulative total. Principal markets for U.S. cottonseed oil this season have been Venezuela, West Germany, the United Kingdom, the United Arab Republic, Poland, Canada, and Sweden.

U.S. EXPORTS OF EDIBLE OILS

Item and country of destination	June		October-June	
	1970[1]	1971[1]	1969-70[1]	1970-71[1]
	Mil. lb.	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*
Soybean: [2]				
Yugoslavia	0	11.0	([3])	255.7
Pakistan	115.2	5.4	317.1	212.2
India	12.1	42.8	133.4	162.6
Morocco	1.1	22.0	22.3	87.4
Iran	0	2.3	78.7	84.3
Tunisia	7.4	6.7	71.3	76.7
Peru	12.2	0	37.1	70.4
Chile	11.0	7.6	26.7	49.9
Canada	6.7	4.2	34.4	40.6
Israel	1.3	10.5	19.7	38.4
Haiti	1.4	1.2	14.8	19.8
Panama	4.7	5.4	11.3	19.8
Ecuador	1.2	5.3	8.1	18.3
Dominican Republic	4.6	4.9	15.4	16.1
Colombia	2.5	.3	13.6	12.9
Greece	0	0	0	12.1
China, Taiwan	0	0	0	11.0
United Kingdom	2.6	.2	11.5	9.5
Jamaica	([3])	1.6	11.3	8.1
Vietnam, South	([3])	0	4.5	7.2
Australia	.4	([3])	7.8	6.9
Guinea	0	3.7	.1	6.9
Brazil	1.4	.1	8.5	5.5
Mauritius	.1	0	13.2	4.6
Turkey	0	.3	6.3	4.1
Others	24.4	15.8	90.9	69.8
Total [4]	210.3	151.3	958.0	1,310.8
Cottonseed: [2]				
Belgium-Luxembourg	0	0	5.6	.7
France	0	0	([3])	.1
Germany, West	0	4.5	33.7	38.9
Italy	([3])	0	([3])	([3])
Netherlands	0	8.9	33.9	18.3
Total EC [4]	([3])	13.4	73.2	57.9
Venezuela	.6	7.6	39.0	48.0
United Kingdom	([3])	([3])	70.1	33.5
U.A.R.	6.6	0	64.7	28.8
Poland	0	6.4	7.5	23.7
Canada	1.8	3.0	22.6	22.9
Sweden	0	0	11.9	14.1
Morocco	0	0	7.7	8.8
Mexico	1.6	([3])	33.4	7.0
Switzerland	0	0	0	4.7
Australia	0	1.0	.1	4.1
Iran	0	0	37.7	1.7
Japan	.2	0	5.5	1.1
Others	1.5	.3	35.2	4.5
Total [4]	12.3	31.7	408.6	260.9
Total oils	222.6	183.0	1,366.6	1,571.7

[1] Preliminary. [2] Includes shipments under P.L. 480 as reported by Census. [3] Less than 50,000 lb. [4] Totals computed from unrounded data. Bureau of the Census.

U.S. Soybeans, June Exports

Soybean exports in June, at 34.9 million bushels, fell 8 percent below the 37.9 million exported in June 1970. September-June exports totaled 367 million bushels—down 7.4 million from the 374.4 million exported in the same months of the previous year.

September-June exports to Canada, mainly for transshipment, declined to 31.6 million bushels from the 56.8 million exported in September-June. This decline of 25.2 million bushels was only partially offset by increased shipments to the European Community (particularly West Germany), Spain, Denmark, Norway, and Israel.

U.S. EXPORTS OF SOYBEANS

Country of destination	June		September-June	
	1970[1]	1971[1]	1969-70[1]	1970-71[1]
	Mil. bu.	*Mil. bu.*	*Mil. bu.*	*Mil. bu.*
Belgium-Luxembourg	0.1	0.2	15.3	11.9
France	0	1.6	3.4	11.5
Germany, West	5.8	4.8	35.6	45.6
Italy	.3	1.4	24.9	22.4
Netherlands	2.7	5.0	51.4	48.5
Total EC [2]	8.9	13.1	130.7	139.9
Japan	10.8	6.8	84.1	84.0
Spain	.7	3.9	31.6	34.6
Canada	10.8	3.0	56.8	31.6
Denmark	2.1	1.7	16.2	17.8
China, Taiwan	2.1	2.3	18.6	17.7
Israel	1.1	1.1	8.3	12.1
Norway	0	.7	4.1	6.3
United Kingdom	.2	.1	7.4	5.4
Poland	0	0	4.9	3.1
Venezuela	.1	.7	1.6	2.6
Mexico	.7	([3])	4.7	2.2
Korea, Republic	0	.8	1.0	2.0
Hungary	0	0	.5	1.2
Yugoslavia	0	0	0	1.1
Singapore	.2	0	1.1	1.0
Others	.2	.8	2.9	4.4
Total [2]	37.9	34.9	374.4	367.0
	Mil lb.	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*
Oil equivalent	416.6	383.7	4,111.4	4,029.6
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Meal equivalent	891.7	821.2	8,799.3	8,624.3

[1] Preliminary. [2] Totals computed from unrounded data. [3] Less than 500,000 bu. Bureau of the Census.

Canada's Oilseed Acreages Up

Canada's oilseed acreages are expected to reach record levels in 1971, despite a decline of 1.36 million acres in the area sown to flaxseed. The areas planted to rapeseed, soybeans, and sunflowerseed increased by 1.56 million acres compared with the area planted in 1970.

Estimates released on July 30 by the Canadian Government indicate a rapeseed area of 5.35 million acres, an increase of 35 percent from the record 1970 area of 3.95 million acres.

Soybean acreage, at a record 360,000 acres, was up 7 percent from last year's 335,000 acres.

The sunflower area, reported at 215,000 acres, was three times larger than the 75,500 acres planted in 1970.

Flaxseed plantings, however—estimated at 2,010,500 acres—declined 40 percent, or 1,357,800 acres, from the 3,368,300 acres sown in all Provinces last year.

Philippine Coconut Exports Up Sharply

Exports of Philippine coconut products (copra, coconut oil, and desiccated coconut) in January-June 1971, at 581,400 long tons, copra equivalent, were up nearly two-thirds from the 425,000 tons exported in the first half of 1970. This record rise reflects a sharp recovery in yields, due to improved rainfall and some increase in the estimated number of bearing trees.

Philippine coconut exports in all of 1971 are expected to increase to roughly 1.3 million tons, copra basis. On an oil equivalent basis, the increase is equivalent to about 208,000 tons more, or nearly 44 million bushels of soybeans.

PHILIPPINE EXPORTS OF COCONUT PRODUCTS [1]

Month	1968	1969	1970	1971
	1,000 long tons	*1,000 long tons*	*1,000 long tons*	*1,000 long tons*
Jan.	56.2	44.2	25.6	65.4
Feb.	36.6	49.4	42.8	47.3
Mar.	37.5	49.7	25.3	71.2
Apr.	50.3	33.4	44.0	63.0
May	63.5	56.1	38.6	70.3
June	43.9	39.0	49.9	54.9
July	57.0	52.7	63.5	([2])
Aug.	74.2	52.3	87.1	([2])
Sept.	81.7	74.8	62.6	([2])
Oct.	77.9	59.1	75.3	([2])
Nov.	79.7	54.8	60.9	([2])
Dec.	80.3	32.6	66.6	([2])
Total	738.8	598.1	642.2	[3] 850.0

[1] Oil equivalent basis. [2] Not available. [3] FAS estimate. Association of International Shipping Lines, Manila.

The expected gain far exceeds the 1970 increase of only 60,000 tons, copra basis, which in terms of oil was equivalent to less than 4 million bushels of soybeans.

This year marks a reversal in the 3-year period of depressed coconut yields, stemming from drought. Aggregate cumulative rainfall in the major coconut-producing areas registered a 46-percent increase from the 1970 level. Rainfall through July of this year, which will influence exports into the first half of 1972, has also been above average. Therefore, barring unforeseen storm damage, another significant increase in Philippine coconut exports is likely in 1972. Typhoons hit the Philippine coconut-producing areas with greatest frequency in November. However, if the storm is not too severe, the increased rain brings better yields, which may offset the damage.

Aside from the fact that rainfall has improved markedly, production should expand because of the large number of trees planted in the early 1960's which are just now beginning to bear. Bearing trees are now estimated at 227 million—nearly 70 percent above the 134 million bearing in 1960.

Average copra yields per tree have tended to decline as older trees pass their peak producing years. In the future, this trend could be reversed as the new trees increase their output. Fertilizer applications could exert an even greater future influence on copra yield. Although coconut trees are known to respond well to fertilizer, less than 1 percent of the bearing trees have been fertilized so far. However, if efforts by the Philippine Government to stimulate fertilizer application on coconuts prove successful, yields could be improved.

Coconut oil, a lauric acid oil, is chemically dissimilar from soybean oil—having different end uses and showing only a low price correlation. However, recovery in Philippine copra exports during this period of relatively short supplies of vegetable oil could prove to be significant to the soft-oil sector.

PHILIPPINE COCONUT EXPORTS

Item	1969	1970	Jan.-June 1970	Jan.-June 1971
	1,000 long tons	*1,000 long tons*	*1,000 long tons*	*1,000 long tons*
Exports:				
Copra	549	413	105	273
Coconut oil	211	329	140	176
Desiccated coconut	50	58	22	29
Copra meal	175	238	102	120
Copra equivalent of exports:				
Copra, coconut meal, desiccated coconut	1,113	1,168	425	654
Copra, coconut oil, desiccated coconut	943	1,003	353	586
Residual	170	165	72	68

PHILIPPINE COCONUT ACREAGE, PRODUCTION, AND YIELDS

Year	Planted area	Number of trees		Copra production [2]	Estimated copra yield per bearing tree
		Total	Bearing [1]		
	Million acres	*Million*	*Million*	*Million metric tons*	*Pounds*
1960	2.62	167	134	1.30	21.3
1962	3.17	198	164	1.36	18.3
1964	3.66	232	164	1.45	19.5
1966	3.98	245	165	1.62	21.7
1968	4.45	252	174	1.36	17.2
1969	4.56	264	193	1.18	13.5
1970	4.54	([3])	207	1.24	13.2
1971	4.67	([3])	227	1.56	15.2

[1] Estimated from total coconut tree numbers adjusted for lag in fruiting. [2] Estimated on basis of copra equivalent of exports of coconut products using an assumed copra equivalent as follows: Coconut oil 1.5625; desiccated coconut 1.30; copra meal 2.857. Excludes quantities of mature and immature nuts used directly for food purposes. [3] Not available.

Tobacco

U.S. Tobacco Imports Continue To Rise

U.S. imports of unmanufactured tobacco for consumption continued their upward trend in fiscal 1971. They totaled 223.9 million pounds, 7 percent more than the 210.1 million imported in fiscal 1970. The average f.o.b. price of these imports continued to fall—to 57.2 cents in 1971 from 60.7 cents in 1970, 61.7 cents in 1969, and 64.7 cents in 1968.

Cigarette leaf, primarily aromatic tobacco, continued to make up the bulk of these imports. The average value was 65.6 cents per pound. Turkey and Greece continued to be the largest suppliers.

The second largest category was scrap tobacco with an average f.o.b. value of 34.1 cents per pound. Scrap imports continued to rise; they were 10 percent higher in 1971 than in 1970. The Philippines continued to be the largest supplier.

Flue and burley cigarette leaf, which is directly competitive with U.S. cigarette leaf, also continued to make big gains. These imports were 71 percent higher in 1971 than in 1970. The largest supplier shifted from Mexico in 1968 to South

Korea in 1969 and 1970 and to Brazil in fiscal 1971. The average value of flue-cured and burley leaf imports for 1971 was 23.6 cents per pound.

U.S. IMPORTS OF UNMANUFACTURED TOBACCO[1]

Kind and origin	Fiscal year, ending June 30			
	1968	1969	1970	1971
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
Cigarette leaf, flue & burley:				
Brazil	0	192	847	3,686
Korea, Republic of	73	1,816	1,998	262
Mozambique	0	554	61	211
Mexico	2,021	619	368	155
Other	1,563	218	421	1,997
Total	3,657	3,399	3,695	6,311
Cigarette leaf, other:				
Turkey	94,900	95,584	91,629	91,109
Greece	44,218	30,850	28,887	28,339
Yugoslavia	15,426	14,480	14,731	17,515
Lebanon	2,544	3,100	3,516	4,757
Other	5,076	3,456	2,529	3,662
Total	162,164	147,470	141,292	145,382
Cigar filler, stemmed & unstemmed:				
Dominican Republic	1,086	731	1,059	1,192
Brazil	847	733	859	905
Honduras	628	1,001	1,030	888
Mexico	777	901	733	758
Other	2,388	1,793	1,221	2,278
Total	5,726	5,159	4,902	6,021
Cigar wrapper (incl. mixed filler and wrapper):				
Honduras	96	194	197	271
Cameroon	138	340	261	156
Nicaragua	2	64	77	86
Other	288	237	362	250
Total	524	835	897	763
Scrap:				
Philippines	18,314	22,461	22,250	22,952
Turkey	5,418	6,909	10,356	9,397
Dominican Republic	5,423	5,874	6,127	6,649
Brazil	3,762	3,863	3,883	5,269
Colombia	3,872	3,951	4,966	4,126
Other	9,554	8,788	11,234	16,512
Total	46,343	51,846	58,816	64,905
Stems:				
France	94	288	0	269
Korea, Republic of	0	661	247	0
Canada	0	600	0	0
Other	529	457	205	289
Total	623	2,006	452	558
Grand total	219,037	210,715	210,054	223,940
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Value	141,696	130,079	127,426	128,035

[1] Includes withdrawals from bond for consumption and release from customs immediately upon arrival. Bureau of the Census.

U.S. Exports of Cigarettes Rise

U.S. cigarette exports, continuing their upward trend, reached a new high in fiscal 1971. U.S. manufacturers exported 29 billion pieces worth $164 million in fiscal 1971, compared with 28.5 billion pieces worth $151.4 million in fiscal 1970. This was an increase of 2 percent in quantity and 8 percent in value. These gains, however, were substantially lower than those made during each of the previous 2 years.

Hong Kong continued to be the largest market, taking 3.4 billion pieces, up 27 percent from the 2.6 billion taken in 1969-70. Spain moved into the No. 2 place, which in fiscal 1970 had been occupied by Switzerland. Spain took 2.2 billion pieces in fiscal 1971, up 42 percent from the 1.5 billion taken in fiscal 1970. The largest gain was made by Ecuador, which took about 900 million, up nearly 200 percent from 1969-70. Large gains were also made by Lebanon and Uruguay.

U.S. EXPORTS OF CIGARETTES[1]

Destination	1968-69	1969-70	1970-71	Change from 1969-70
	Million pieces	*Million pieces*	*Million pieces*	*Percent*
Hong Kong	2,951.0	2,646.4	3,359.3	+26.9
Spain	1,631.2	1,517.8	2,150.0	+41.7
Netherlands Antilles	1,404.7	1,385.5	1,363.5	−1.6
Belgium-Luxembourg	1,224.2	1,093.5	1,323.6	+21.0
Lebanon	562.6	620.3	1,205.1	+94.3
Panama	1,089.4	1,507.0	1,172.6	−22.2
Saudi Arabia	458.3	1,129.1	1,142.7	+1.2
Kuwait	1,193.2	1,342.5	896.7	−33.2
Ecuador	328.5	298.8	888.1	+197.2
Uruguay	288.5	566.4	847.9	+49.7
Canary Islands	642.6	712.1	836.3	+17.4
Switzerland	1,183.2	1,871.6	825.1	−55.9
West Germany	568.1	572.4	818.9	+43.1
Colombia	1,145.1	1,433.1	798.9	−44.3
Italy	571.0	790.3	743.8	−5.9
Japan	535.2	629.4	722.2	+14.7
Singapore	538.8	540.5	553.8	+2.5
Paraguay	751.2	720.4	506.8	−29.6
Arabian States, n.e.c.	233.8	288.7	502.7	+74.1
Netherlands	579.2	633.0	474.3	−25.1
United Kingdom	402.4	501.8	468.5	−6.6
Mexico	401.9	324.0	435.9	+34.5
Australia	330.1	389.6	395.1	+1.4
Canada	334.1	289.9	394.8	+36.2
Denmark	309.5	374.4	379.4	+1.3
Morocco	389.3	291.2	351.7	+20.8
Iceland	240.8	284.5	300.9	+5.8
Israel	281.1	333.0	258.4	−22.4
France	357.1	361.0	232.7	−35.5
Yugoslavia	436.5	610.4	216.6	−64.5
Other	4,408.4	4,479.7	4,447.6	−.7
Total	25,771.0	28,538.3	29,013.9	+1.7
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*Percent*
Total value	130,866	151,381	164,035	+8.4

[1] Fiscal year. Bureau of the Census.

Crops and Markets Index

Fats, Oils, and Oilseeds

12 U.S. Oilcakes and Meals, June Exports
12 U.S. Edible Oils, June Exports
13 U.S. Soybeans, June Exports
13 Canada's Oilseed Acreages Up
14 Philippine Coconut Exports Up Sharply

Grains, Feeds, Pulses, and Seeds

12 Rotterdam Grain Prices and Levies

Tobacco

14 U.S. Tobacco Imports Continue To Rise
15 U.S. Exports of Cigarettes Rise

Correction: In chart on page 2 of August 2 issue, labels on key should be reversed to read "Sales under Government programs" for top (checked) segment and "Commercial sales" for bottom (black) segment.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE

U.S.MAIL

If you no longer need this publication, check here ☐ return this sheet, and your name will be dropped from mailing list.

If your address should be changed ☐ PRINT or TYPE the new address, including ZIP CODE, and return the whole sheet to:

Foreign Agricultural Service, Rm. 5918
U.S. Department of Agriculture
Washington, D.C. 20250

Foreign Agriculture

Canada Raises Dairy Prices

The Canadian Dairy Commission (CDC) announced recently that support prices for dairy products have been raised to the following levels: Nonfat dry milk to Canadian 26 cents per pound, up 2 cents per pound; butter to 68 cents per pound, up 3 cents; and Cheddar cheese to 54 cents per pound, up 3 cents. These increases are to be effective on August 16 for CDC purchases and on August 12 for CDC sales.

The increase in support levels was apparently in response to an earlier request made by the Dairy Farmers of Canada (DFC) for higher support prices on dairy products. The DFC stated it feared that Canada would have to import butter in the fall if present production trends continued. In its view, only an increase in prices would give production the boost it needed to meet Canada's butter needs.

The support price is the level at which the Canadian Dairy Commission purchases surplus production from dairy plants in Canada and at which it later resells supplies onto the domestic market. At the present time, the CDC is purchasing only butter and nonfat dry milk because the market price for cheese is about 10 cents per pound above the support level.

During the first 6 months of 1971 Canadian butter production was 139 million pounds, down 13 percent from the same period in 1970. The CDC, while acknowledging that butter production is down, points out that the lag behind 1970 production has decreased steadily from 18.7 percent in January and February to only 8.5 percent in June.

In some part, the reduction in butter production is the result of an increase in cheese manufacturing. Cheddar cheese production was 80.7 million pounds during the first 6 months of 1971, up 5 percent over a year earlier.

Canada Discovers New Oats Genes

The Canada Department of Agriculture (CDA) announced recently that CDA scientists have found a number of new genes, ancestors of modern oat varieties, in Middle East wild grasses. The new genes—collected in Israel, Tunisia, and Portugal—can be incorporated into new oat varieties to make them resistant to crown rust disease. CDA says that the genes will equip the oat crop with a natural built-in resistance to the disease, and thus, the new varieties will not require artificial protection such as that provided by chemical pesticides.

A meeting of interested scientists is to be held in Winnipeg this summer to discuss new strategies to prevent oat rusts.

International Coffee Group To Finance Diversification

The Executive Director of the International Coffee Organization (ICO) is now appraising several requests to finance diversification projects. The loan requests include: cocoa development for Colombia; diversification of coffee areas of Guatemala into production of oil palm, tea, citrus, and dairy products; a rice development project for the Ivory Coast; a livestock project for Kenya; production of cassava for Nicaragua; and a warehousing project for Portugal in Luanda, Angola.

The only project approved so far is the livestock project for Kenya in the amount of $438,000. Loans requested from the Fund for the above projects total $19.3 million. The largest single request is $7.7 million for Ivory Coast rice development.

Each ICO-member country is required to prepare a plan of its national coffee policy. A prerequisite to obtaining finance from the Diversification Fund for a project is approval of this plan.

Member countries contribute the equivalent of U.S.$0.60 to the Fund for each bag of coffee they export to quota markets in excess of 100,000 each coffee year. The Fund should contain about $135 million by the time the present International Coffee Agreement expires on September 30, 1973.

☆ U. S. GOVERNMENT PRINTING OFFICE : 1971 481-861/7